

**BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF KANSAS**



**In the Matter of:**

**Proud Veterans, LLC,  
Nick Gnemi**

**Docket No. 14 E 014  
KSC No. 2014-6155**

**and their representatives and agents,**

**Respondents.**

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**Pursuant to K.S.A. 17-12a604**

**ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE  
ADMINISTRATIVE SANCTIONS**

Staff for the Office of the Kansas Securities Commissioner ("KSC Staff") alleges that Respondents have committed violations of the Kansas Uniform Securities Act and that the issuance of an Order to Cease and Desist and the imposition of administrative sanctions pursuant to K.S.A 17-12a604 are in the public interest.

Based on the allegations of the KSC Staff as set forth below, the Securities Commissioner of the State of Kansas (the "Commissioner") issues this Order to Cease and Desist and Notice of Intent to Impose Administrative Sanctions.

If Respondents wishes to contest the allegations of the KSC Staff and the Findings of Fact, Conclusions of Law and Order set forth herein, Respondents must file a request for hearing within thirty (30) days after service of this Order. The request for hearing must be in the manner and form prescribed by K.A.R. 81-11-5, and it must be filed with the Office of the Securities Commissioner of Kansas, 109 SW 9<sup>th</sup> Street, Suite 600, Topeka, Kansas 66612.

The request for hearing must be verified under oath by Respondents and, if Respondents dispute any of the allegations of the KSC Staff, Respondents shall specifically deny the allegations or they will be deemed admitted. In addition, Respondents may offer evidence and argument to mitigate the facts set forth herein. If facts are properly disputed, the matter will be set for hearing. **If no request for hearing is filed within thirty (30) days after service of this Order, the Commissioner will issue a Final Order, Findings of Fact and Conclusions of Law. The Final Order may impose administrative sanctions, including but not limited to civil penalties, disgorgement and restitution.**

#### **FINDINGS OF FACT**

1. Respondent Proud Veterans, LLC, ("Proud Veterans") is a Kansas limited liability company organized on October 24, 2007 and is located at 2319 Rough Creek Road, Derby, Kansas.
2. Respondent Nick Gnemi ("Gnemi") is an individual residing at [REDACTED] in [REDACTED] Kansas. Gnemi is the Chief Executive Officer (CEO) of Proud Veterans.
3. In December 2012, Gnemi began pursuing a known Kansas resident ("KR 1") to invest money with Proud Veterans.
4. Gnemi told KR 1 the money would be used as an investment toward "stock and commodities" of grain and milk that were to be delivered to "Afgahistan, Dubai, Egypt, Iraq, South Korea and various other world countries.[sic]" Gnemi told KR 1 that the investment would return 17.25% per annum. Per KR 1's request, Gnemi agreed to issue quarterly payments.
5. Gnemi told KR 1 there was no risk in investing with Proud Veterans because the

investment would be insured up to a million dollars and provided proof of business liability insurance (which does not list any coverage for the investment contract or the principle that was invested).

6. KR 1 invested \$100,000.00 with Gnemi and Proud Veterans in March of 2013.
7. On March 11, 2013, KR 1 signed the investment contract between KR 1 and Proud Veterans and delivered funds in the amount of \$100,000.00 to Gnemi.
8. A check of the records maintained by the Office of the Kansas Securities Commissioner shows that there was no registration, granted exemption, or notice filing indicating status as a federal covered security for the investment contract.
9. Neither Gnemi nor Proud Veterans provided KR 1 with a prospectus or other disclosure material and omitted to state the following material facts:
  - a. That the investment contract was not registered or exempt from registration with the Office of the Kansas Securities Commissioner;
  - b. The risks associated with the investment;
  - c. How the proceeds were specifically going to be used;
  - d. The prior experience and background or biographical information of Respondents Gnemi and Proud Veterans; and
  - e. Financial statements or other documentation reflecting the financial condition of the Respondents.
10. In 2013, KR 1 received quarterly payments in July, September and a partial payment in December. When KR 1 asked why the December payment was lower, Gnemi told KR 1 that the Korean government confiscated about half of the money in the account for Proud Veterans Korea. Gnemi assured KR 1 that the remainder of the payment would be paid

by mid-January 2014. Proud Veterans sent the remainder of the December payment in two installments; KR 1 received a check dated January 18, 2014, in the amount of \$600 and a second check postdated February 1, 2014 in the amount of \$1,200. Proud Veterans emailed KR 1 explaining that because there was not enough money in the account to cover the \$1,200 check, Proud Veterans postdated it to give itself time to cover that check. The memo line of the check reads "Investment Payment."

11. Fearing the investment was not as safe as Gnemi represented, KR 1 wrote a letter to Gnemi requesting the return of the \$100,000 investment.
12. Gnemi told KR 1 that he would have to find new investors in order to pay back KR 1.
13. On January 31, 2014, after receiving a request for information from the KSC Staff, Gnemi contacted KSC Special Agent Jason Vinsonhaler by phone. During that conversation, Gnemi stated that he had two Kansas investors for his "international deals".

### **CONCLUSIONS OF LAW**

#### ***Violation of Offering and Selling an Unregistered, Non-Exempt Security***

14. Paragraphs 1 through 14 are incorporated by reference as though fully set forth herein.
15. In violation of K.S.A. 17-12a301, Respondents Gnemi and Proud Veterans offered and sold a security, to wit: the investment contract sold to KR 1, without the security being registered with the Office of the Kansas Securities Commissioner, exempt from registration, or a federal covered security.

#### ***Multiple Violations of Making Untrue Statements of Material Fact in Connection with the Offer and Sale of a Security***

16. Paragraphs 1 through 14 are incorporated by reference as though fully set forth herein.
17. In connection with the offer and sale of a security, to wit: the investment contract sold to

KR 1, Respondents Gnemi and Proud Veterans made the following untrue statements of material fact:

- a. That there was “no risk” in investing with Proud Veterans; and
- b. That the investment would be insured to a million dollars despite having no proof of specific coverage for the investment contract or the principle.

18. Respondents conduct in making untrue statements of material fact in connection with the offer and sale of the investment contract constitute violations of K.S.A. 17-12a501(2).

***Multiple Violations of Omitting to State Material Fact in Connection with the Offer and Sale of a Security***

19. Paragraphs 1 through 14 are incorporated by reference as though fully set forth herein.
20. In connection with the offer and sale of a security, to wit: the investment contract sold to KR 1, Respondent Gnemi and Proud Veterans omitted to state the following material facts:
- a. That securities were not registered or exempted from registration with the Office of the Kansas Securities Commissioner;
  - b. The risks associated with the investment;
  - c. How the proceeds were specifically going to be used;
  - d. The prior experience and biographical information of Respondents Gnemi and Proud Veterans; and
  - e. Financial statements or other documentation reflecting the financial condition of the Respondents.
21. Respondents’ conduct in omitting to state material facts in connection with the offer and sale of the investment contract constitute violations of K.S.A. 17-12a501(2).

### **ORDER**

**NOW, WHEREFORE**, it is hereby Ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this Order are prohibited from:

- A. violating or materially aiding in any violation of K.S.A. 17-12a501, by, in connection with the offer or sale of securities, employing a device, scheme, or artifice to defraud or making an untrue statement of a material fact or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person; and
- B. violating or materially aiding in any violation of K.S.A. 17-12a301 by offering or selling any securities as defined by K.S.A. 17-12a-102(28), in the State of Kansas unless those securities are registered in accordance with the provisions of K.S.A. 17-12a301.

**IT IS FURTHER ORDERED** that the Commissioner, pursuant to K.S.A. 17-12a604(b), impose against each Respondent, in a Final Order, a civil penalty of up to twenty-five thousand dollars (\$25,000) for each violation of K.S.A. 17-12a301, not to exceed one million dollars (\$1,000,000) unless Respondents request a hearing within thirty (30) days after service of this Order.

**IT IS FURTHER ORDERED** that the Commissioner, pursuant to K.S.A. 17-12a604(b), impose against each Respondent, in a Final Order, a civil penalty of up to twenty-five thousand dollars (\$25,000) for each violation of K.S.A. 17-12a501, not to exceed one million dollars (\$1,000,000) unless Respondents request a hearing within thirty (30) days after service of this Order.

**ENTERED BY THE COMMISSIONER** at Topeka, Kansas, this 7<sup>th</sup> day of February, 2014.



  
Joshua A. Ney  
Kansas Securities Commissioner

Certificate of Service

I hereby certify that on this 7<sup>th</sup> day of February 2014, a copy of the above Order to Cease and Desist and Notice of Intent to Impose Administrative Sanctions was mailed by certified mail, return receipt requested, addressed to the following:

Proud Veterans, LLC  
2319 Rough Creek Road  
Derby, KS 67037

Nick Gnemi



Nickie Oathout  
Clerk of Administrative Hearings